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ABSTRACT

Upper level colleges, those institutions offering only junior and senior year baccalaureate programs and programs leading to master's and doctoral degrees, could be funded under the same formulas as other colleges and universities, but the development of a special funding formula is highly recommended. In the state of Texas, the funding formula for 4-year institutions has been broken down into specified areas such as General Administration, Student Services, Departmental Operating Expense, Organized Research, etc. It is felt that 3 areas in the funding formula deserve special consideration when planning for the upper level college. These are student services, library support and faculty salaries. The area of student services should be examined carefully to insure that adequate funds are available for good, individual counseling in upper level institutions. The formula for library support also needs to be studied carefully to determine whether or not the present formula for 4-year institutions would be equitable to meet the needs of institutions offering only upper level and graduate work. There are distinct differences in the costs of salaries for teaching lower division and upper division courses, since lower division courses are generally taught by less experienced and lower salaried persons and upper division courses are generally taught by more experienced and higher salaried professors. Thus, it stands to reason that a separate funding formula for faculty salaries would be called for. (HS)

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Remarks of Bevington Reed
Commissioner of Higher Education
To the Annual Meeting of the
Association of Upper-Level Colleges and Universities
Dallas, Texas
March 2, 1972

SPECIAL FUNDING FORMULA FOR STATE-SUPPORTED UPPER-LEVEL INSTITUTIONS

There is something pleasingly appropriate about the Association of Upper-Level Colleges and Universities meeting in our state as we celebrate Texas Independence Day. If I had the power, I would, like the Wizard of Oz, award each of you medals in recognition of your own pioneer spirit, missionary zeal, and decication to an ideal. Your efforts celebrate, in a sense, an independence from those constraints in traditional higher education which would hinder responses to new needs.

New ventures are not easy ventures. If we would follow a new course, we must add perseverance to our enthusiasm. I heard a story the other day that I think might have some message for all of us. It had to do with a young, happy buffalo. His home was a game preserve designed to protect him and his species. This young, energetic bull enjoyed his home, but he also enjoyed observing those who lived outside his boundaries. Each day at the height of the traffic hour, he would run to the fence which curved around one corner of his preserve to see the cars go by. As he watched those people, who were also watching him, he would hum softly, "Home, Home on the Range -- where the deer and the buffalo plan." One day a driver became so involved in watching the young buffalo that he missed the curve, and a tremendous

pile-up homeward bound traffic occurred. One particularly irate driver loosed a stream of invectives both at the offending driver and at the buffalo. The young bull took off to the back side of the preserve. The next day he didn't make his trek to watch the cars go by. A friend inquired why. He responded sadly, "I heard a discouraging word."

If each of us who has heard a discouraging word about upper-level institutions had retreated from the scene of the action, the exciting progress of the past decade would not be reality. Neither would we, at this moment, be sharing the anticipation of things to come in this decade.

The very topic which I was assigned today is an indication of how far we have come. That topic is Special Funding Formula for State-Supported Upper-Level Institutions. Our attention has quite definitely shifted from "if" to "how" in our considerations of upper-level institutions.

Now just one brief word about developments in Texas. The Legislature has authorized the creation of a total of seven new upper-level institutions. Recognizing that these new institutions will exert considerable impact upon the Texas system of higher education, the Texas Senate called upon the Coordinating Board to review the performance and functions of upper-level institutions in other states. That preliminary study is now being reviewed by representatives of all Texas institutions. It reveals what many of you already know -- that there are both advantages and disadvantages to this new institution, but that the concept is sound despite operational problems encountered by pioneer institutions.

Many of these problems have been associated with dollars -- which, in turn, have been associated with attracting sufficient numbers of students. -- which, in turn, have been associated with planning to meet the needs of students.

While the focus of my remarks today is on the economics of upper-level institutions -- and the financial picture is important -- let me emphasize that economy is not the impelling reason for upper-level institutions. These new colleges are responding to needs in higher education -- needs of individual students across this nation. Our first concern is to meet those needs. As we plan for the development and financing of these new institutions, we must not lose sight of the fact that we must protect their viability and their effectiveness in responding to real, identified needs of individual students for different kinds of educational experiences.

Planning involves consideration of how to fund equitably the functions of upper-level institutions. But before turning specifically to formulas for the operation of upper-level institutions, I would like to share one of the findings of the Coordinating Board's preliminary study. The study includes an estimate of savings to the state which would result from the creation of the seven new upper-level rather than four-year institutions. Those estimates are that $153.5 million would be saved as a result of not duplicating facilities for freshman and sophomore students. In addition, an annual savings in reduced maintenance and operating costs is estimated at $4.1 million.

These figures do not even take into account the savings which would result from not duplicating faculty, library, teaching supplies, and equipment associated with offering freshman and sophomore level work.

We believe the first question involving costs of upper-level institutions can be answered with a positive and affirmative, "Yes." The initial establishment of upper-level institutions can be done less expensively than can the establishment of four-year institutions.

The second question related to costs deals with continuing operating costs and gets closer to the topic of today. Does it cost more to educate a student in an upper-level institution than in a four-year institution? Is there need for a special funding formula for state-supported upper-level institutions?

Let me digress long enough to look briefly at the Texas formula system for financing higher education. I know that all states have not found the formula system satisfactory for meeting their needs. I understand Illinois is abandoning the formula system. The Texas formula system is a little different from the formula systems used in other states. The Coordinating Board has the statutory responsibility to develop formulas which will secure an equitable distribution of funds for higher education. The formulas are developed in close cooperation with representatives from Texas colleges and universities.

The Coordinating Board recommends the formulas to the Governor and the Legislative Budget Board for their use in making their appropriations recommendations to the Legislature. The formulas are also used by institutions in making their appropriation requests to the Legislature.

However, the Governor, the Legislative Budget Board, or the governing board of any institution of higher education can request funds which deviate from formulas prescribed by the Board by supporting such requests or recommendations with appropriate reasons and arguments.

The Coordinating Board has adopted formulas in ten different areas -- General Administration and Student Services, Faculty Salaries, Departmental Operating Expense, Library, Organized Research, Building Maintenance, and Custodial Services. Three new formulas have been adopted for the 1974-75 biennium. They are in the areas of Instructional Administration, Faculty and Staff Group Insurance, and Faculty Development Leaves.

While the formulas do not provide funds for all of the educational and general functions performed by the public institutions of higher education in Texas, they do cover about 85 percent of the current appropriations to public senior colleges and universities.

After this very sketchy description of the Texas formula system, let's reconsider the question of whether or not there is need for a special funding formula for state-supported upper-level institutions.

The purpose of all formulas is to provide adequate and equitable funding for the functions being performed by an institution. The functions being performed by an upper-level institution are somewhat different from those performed by four-year institutions.

The whole area of special formulas for upper-level institutions needs to be studied, with thorough research done to determine how the different functions of these new institutions may affect their need for funding. We in Texas have not yet done that research; therefore, there is no sound informational base on which I base my observations on the need for special formulas for upper-level institutions.

However, there would appear to be no major inequities in some present formula areas such as, General Administration and Student Services, Departmental Operating Expense, Organized Research, Building Maintenance, and Custodial Services. I believe though that the area of student services should be examined carefully to insure that adequate funds are available for good, individual counseling in upper-level institutions.

The formula for Library support also needs to be studied carefully to determine whether or not the present formula, which is for four-year institutions, would be equitable to meet the needs of institutions offering only upper-division and graduate work.

However, there is little doubt that the differences between an upper-level institution and a four-year institution directly affects the formula area of Faculty Salaries.

The student-teacher ratio, or the number of semester credit hours each teacher produces, is the single most important factor in determining the cost of instruction at any level -- whether it be lower division, upper division, or graduate work. And the student-teacher ratio is larger in freshman and sophomore courses than in junior, senior, and graduate-level courses. Information

collected by the Coordinating Board indicates that lower division student-teacher ratios very from 12-1 up to 32-1, whereas upper division ratios range from as low as 9-1 up to 20-1.

Variations in instructional salaries also affect instructional costs. These costs tend to increase for upper division and graduate work. There is a marked tendency to use professors holding the highest degree in upper division and graduate classes. These same professors are likely to have the most years of experience and therefore to draw the largest salaries. There is a corresponding tendency to use lower-ranked faculty with less experience and correspondingly lower salaries to teach lower division courses. The wide use of teaching assistants by four-year undergraduate institutions in freshman and sophomore courses also results in decreased instructional costs at the lower division level.

Since faculty salary appropriations are based on the average cost of producing semester credit hours in four-year institutions, it comes obvious that the average faculty salary cost would be lower in a four-year institution than in an upper-level institution.

In essence, what we are saying is that it probably should not cost more to teach comparable upper-level courses in one institution than it costs in another.

However, when there are distinct differences in the costs of salaries for teaching lower division and upper division courses, then a special funding formula for Faculty Salaries for upper-level institutions would be indicated. These new institutions should not be penalized by a funding formula which includes the lower cost of instruction in lower division courses. Any special funding formula should be an attempt to allocate like amounts of money for like functions.

Any special funding formula should be an attempt to allocate like amount of money for like functions. The upper-level institution is a response to the needs of students for more individualized programs, for strong counseling programs, and for teaching techniques and methodology which meets student needs. As formulas are developed, they should reflect these important functions of the upper-level institution.

The presidents of two of our fine upper-level institutions in another state have indicated to me that they are now operating their institutions on exactly the same formula level as programs and functions in other universities in the state system. It can be done.

However, to provide equitable distribution of funds for similar functions, it would appear that a special funding formula especially in the area of faculty salaries for upper-level institutions is not only desirable but is justified and needed.